



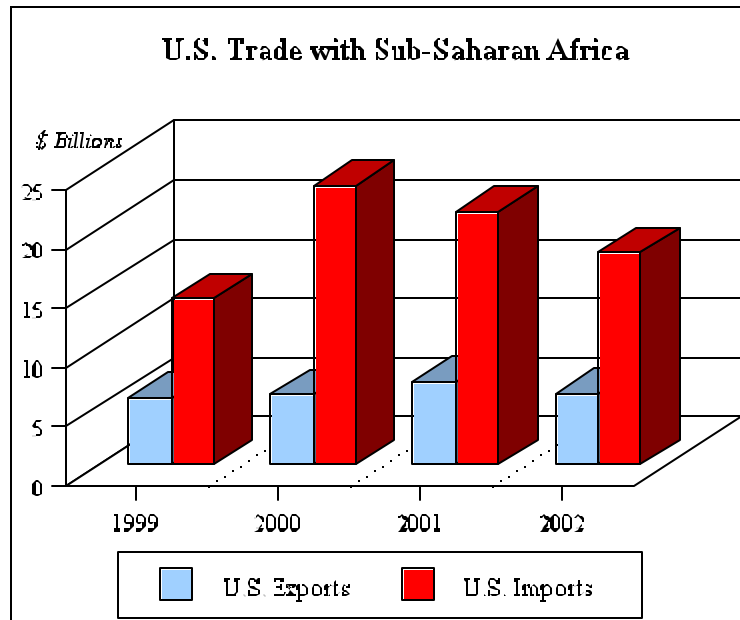
# U.S.-AFRICAN TRADE PROFILE

## *U.S. Trade with Sub-Saharan Africa* (\$ Millions)

|                     | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|---------------------|-------------|-------------|-------------|-------------|
| <i>U.S. Exports</i> | 5,568.5     | 5,925.8     | 6,941.8     | 6,023.0     |
| <i>U.S. Imports</i> | 14,042.9    | 23,480.4    | 21,286.8    | 17,934.7    |

Total trade between the United States and Sub-Saharan Africa fell substantially in 2002, as both exports and imports declined. Two-way trade was just under **\$24 billion**, down **15%** from a year earlier. U.S. exports shrank **13.2%** to **\$6 billion**, due to declines in sales of aircraft, motor vehicle parts, and computer and telecommunications equipment. U.S. imports fell **15.7%** from 2001 to **\$17.9 billion**, as the U.S. recession caused lower demand for crude oil and platinum group metals.

- **U.S. Exports:** Shipments to South Africa, Kenya, and Namibia fell dramatically, and increases in Angola, Nigeria, and Equatorial Guinea could not offset the decline. Exports recovered in the fourth quarter due to higher oil field equipment sales to Angola and an aircraft delivery to Kenya. However, these items are subject to high volatility and do not indicate that a general recovery is underway (*see pages 7-10*).
- **U.S. Imports:** Imports from Nigeria plummeted nearly a third, and from South Africa by **9%**. Small increases from Angola, Equatorial Guinea, and Cameroon did not offset the general decline (*see pages 10-13*).
- **AGOA Trade:** The African Growth and Opportunity Act (AGOA) prevented an even sharper drop in U.S. imports. AGOA imports increased **10%** to **\$9 billion**. This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions. AGOA accounted for **half** of total imports from the region, but **three-quarters** of the AGOA imports were petroleum products. With these excluded, AGOA imports were less than **\$2.2 billion**. Textile and apparel imports more than doubled, to **\$803 million**. Transportation equipment accounted for **\$545 million**, **81%** more than in 2001, and agricultural products grew **38%** to **\$212 million** (*see pages 14-15*).



Source: U.S. Census data

The U.S. merchandise trade deficit with Sub-Saharan Africa narrowed in 2002 to **\$11.9 billion**, from **\$14.3 billion** in 2001. The cumulative imbalance over the last five years is nearly **\$59 billion** in Africa's favor, but the associated transfer of financial resources benefits only a handful of African countries which supply substantial amounts of crude oil or strategic minerals to the United States.

- Nigeria, Angola, Gabon, and South Africa accounted for **90%** of the U.S. trade deficit with Sub-Saharan Africa in 2002, down from **96%** in 2001. The first three were major oil suppliers, while South Africa provided platinum group metals, diamonds, and motor vehicles.
- Trade between the United States and Sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

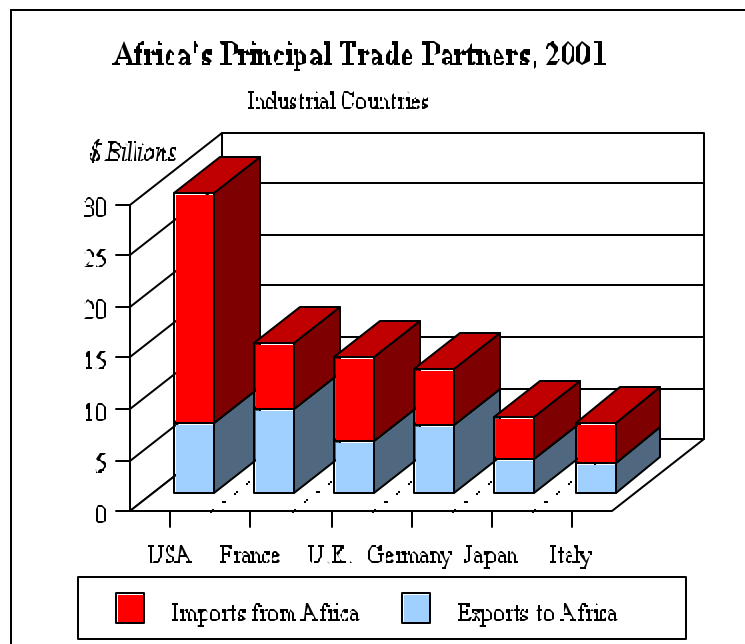
**Africa's Global Trade.** Sub-Saharan Africa's *total merchandise imports* climbed **6%** in 2001 (the latest year available), to **\$87.7 billion**.

- South Africa and Nigeria accounted for more than **41%** of Sub-Saharan Africa's total imports.
- South African imports declined **5%**, to **\$24.6 billion**, due to the weak rand. The fall in South Africa's imports reversed an **8%** gain in 2000.

- Nigeria's imports were nearly **\$11.5 billion**, a **30%** increase from a year earlier and a **51%** increase in two years, spurred by sharply higher revenues from crude oil exports.

Sub-Saharan Africa's *total merchandise exports* were **\$86.2 billion**, virtually flat from 2000, when high prices for crude oil, diamonds, and platinum group metals propelled a **22%** spike in export growth. The region's small global trade surplus in 2000 was erased in 2001, although the deficit was smaller than in most previous years.

Sub-Saharan Africa's **1.4%** decline in exports compared favorably with a **3.7%** fall in total world exports in 2001, as well as with developing countries, which suffered a **5.2%** drop. Nevertheless, Sub-Saharan Africa accounted for only **1.4%** of world trade in 2001, virtually unchanged from 2000. Africa's share of world trade has declined steadily over time, increasing its isolation from the global economy and its detachment from growing world prosperity. Over the last decade, Sub-Saharan Africa's trade has grown **39%**, while world trade has grown **85%**. In the same period, African GDP grew less than **8.5%**, compared to a global figure of more than **44%**.



Source: IMF data

**Shares of Africa's Import and Export Markets.** Sub-Saharan Africa accounts for less than **1%** of U.S. merchandise exports, and less than **2%** of U.S. merchandise imports. Proportions are slightly higher for the EU, where Sub-Saharan Africa represents **3.5%** of total exports and **4%** of total imports. Conversely, the United States is Africa's largest single country market, purchasing **26%** of the region's exports in 2001. The United Kingdom was a distant second at **9.5%**, and France third at **7.3%**. The EU absorbed nearly **45%** of Sub-Saharan Africa's exports, up from **40.7%** in 2000.

- The U.S. market share in Sub-Saharan Africa increased in 2001 to **7.9%** from **7.1%** in 2000, as U.S. exports of aircraft, oil and gas field equipment, and motor vehicles and parts soared.
- The United States and Germany were the only major industrial countries to gain market share in Sub-Saharan Africa in 2001. The U.K. share held steady, while that of France, Italy, and Japan fell.
- The EU market share fell held steady at **36.5%**, down only marginally from 2000, although EU exports to the region increased nearly **9%**.
- Non-traditional trading partners also increased their share of the African market. South Africa surpassed Italy and Japan as a supplier to the Sub-Saharan region with exports of **\$3.8 billion**, boosted by sales of motor vehicles, telecommunications equipment, and food grains to neighboring countries of Southern Africa.
- China was also a major supplier to Sub-Saharan Africa, with **\$4.4 billion** of exports. China experienced a **23%** surge in shipments from 2000, propelled by big increases in woven fabrics, low-end footwear, motorcycles, and cellular telephones.

*Sub-Saharan Africa's Principal Industrial Country Trading Partners*  
(*\$ Billions and Market Share*)

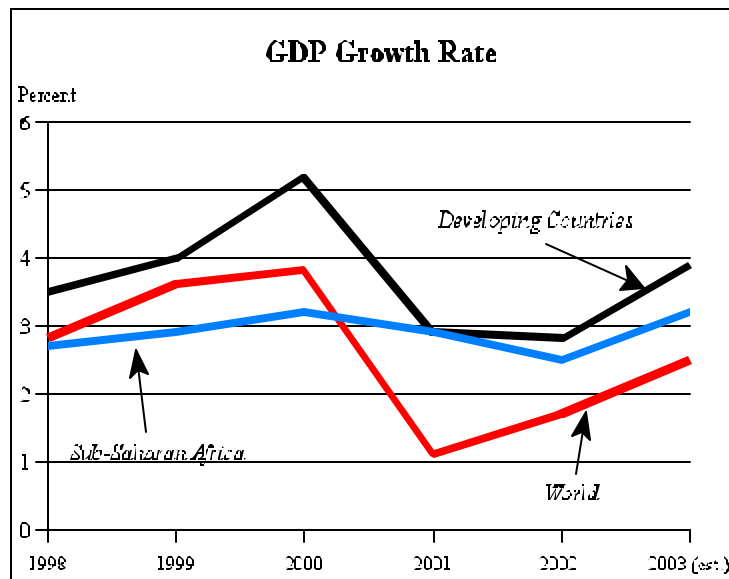
|  | <u>2000</u> | <u>% Share</u> | <u>2001</u> | <u>% Share</u> |
|--|-------------|----------------|-------------|----------------|
| <u><i>Sub-Saharan Africa's Imports</i></u> |             |                |             |                |
| <i>France</i>                              | 8.7         | 10.5           | 8.3         | 9.5            |
| <i>United States</i>                       | 5.9         | 7.1            | 6.9         | 7.9            |
| <i>Germany</i>                             | 5.6         | 6.8            | 6.6         | 7.5            |
| <i>United Kingdom</i>                      | 4.8         | 5.8            | 5.1         | 5.8            |
| <i>Japan</i>                               | 3.7         | 4.5            | 3.3         | 3.8            |
| <i>Italy</i>                               | 2.8         | 3.4            | 2.9         | 3.3            |
| <i>Total EU</i>                            | 30.5        | 36.8           | 32.0        | 36.5           |
| <u><i>Sub-Saharan Africa's Exports</i></u> |             |                |             |                |
| <i>United States</i>                       | 23.6        | 27.0           | 22.3        | 25.9           |
| <i>United Kingdom</i>                      | 6.3         | 7.2            | 8.2         | 9.5            |
| <i>France</i>                              | 5.5         | 6.3            | 6.3         | 7.3            |
| <i>Germany</i>                             | 5.1         | 5.8            | 5.6         | 6.6            |
| <i>Japan</i>                               | 4.4         | 5.0            | 4.1         | 4.7            |
| <i>Italy</i>                               | 4.5         | 5.1            | 4.0         | 4.7            |
| <i>Total EU</i>                            | 35.6        | 40.7           | 38.7        | 44.8           |

*Source: Derived from IMF Directions of Trade Yearbook, 2002*

### **Africa's Economic Growth**

Sub-Saharan Africa's economic growth slowed in 2002 to **2.5%**, down from **2.9%** in 2001. The growth rate was below the **2.8%** registered by developing countries in 2002, but well above the **1.7%** experienced by the world generally. 2002 marked the second consecutive year that Sub-Saharan Africa surpassed global growth but lagged behind the pace of developing countries.

The slowdown in world economic activity--which began in the spring of 2001 and worsened after the terrorist attacks of September 11--caused steep declines in commodity prices, reduced investment flows, and lower earnings from tourism. Africa's reduced economic performance in 2002 was a direct reflection of the region's dependence on European markets. The Euro Area registered a particularly weak **0.8%** expansion.



Nigeria and South Africa have a disproportionate effect on the performance of the Sub-Saharan region due to the dominant size of their economies. These countries account for half of Sub-Saharan Africa's total trade of goods and services and more than half of its GDP. The economic performance of these countries diverged in 2002, but the IMF and World Bank anticipate an upturn for both in 2003, which improves the outlook for Sub-Saharan Africa.

- Continued fiscal indiscipline in Nigeria contributed to overall economic contraction in 2002. Despite sharply higher world crude oil prices, Nigerian revenues declined in keeping with lower OPEC production quotas, while the government failed to rein in spending. The result was lower reserves, an increase in short-term debt, and higher inflation. The IMF estimates that Nigeria's GDP declined **0.9%**, but anticipates a rebound in 2003 to **3.5%**, as oil revenues increase.

- South Africa's economy grew **2.5%** in 2002, a slight increase from 2001. The decline of the rand on foreign exchange markets combined with a recovery of gold prices to give the economy a competitive boost, despite sluggish world demand. Export-led growth slowed late in the year as the rand strengthened, but the IMF projects continued economic expansion in 2003 with GDP growth projected at **3.0%**.

***Impediments to Growth.*** Africa's vulnerability to swings in commodity prices has long been a drag on growth, demonstrating the need for reforms to promote economic diversification in the region.

- Average crude oil prices ended 2002 approximately **60%** higher than they began the year, propelled by growing fears of war in Iraq and continued unrest in Venezuela. While the trend benefitted a handful of African crude oil exporters, it spelled higher oil import bills for the majority of African countries and further deterioration of their terms of trade.
- Non-oil commodity prices failed to recover from depressed 2001 prices, with the exception of cocoa which surged **20%** late in 2002 due to unrest in Cote d'Ivoire. Coffee, cotton, and copper remained stagnant.

Macroeconomic reforms have spurred growth in a number of countries despite commodity price pressures. Ethiopia, Madagascar, Mauritius, Mozambique, Rwanda, and Uganda each achieved growth of **6%** or more in 2001. Sluggish world demand lowered their 2002 performance, and drought further depressed growth in Southern and East Africa. Armed conflict, political instability, famine, and foreign debt continue to threaten Sub-Saharan Africa's economic recovery.

- According to World Bank estimates, Sub-Saharan Africa's total debt stock was nearly **\$209 billion** at year-end 2001, more than **70%** of the region's gross national income (GNI). The debt-to-GNI ratio showed slight improvement from 2000, yet Sub-Saharan Africa remains severely constrained by foreign debt. In comparison, Latin America and the Caribbean region had a debt-to-GNI ratio of **43.3%**, the Middle East and North Africa **32.8%**, and South Asia **24.5%**. For all developing countries debt was **38.2%** of GNI.
- By year-end 2002, 23 African countries<sup>1</sup> had met or were working to meet the requirements for nominal debt service relief of more than **\$33 billion** under the *Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative*, operated jointly by the World Bank and IMF. As these countries qualify for full assistance under the Initiative, their foreign debt will be reduced by nearly half on average. Combined with Paris Club and other debt relief programs, debt should decline by two-thirds.

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<sup>1</sup> Benin; Burkina Faso; Cameroon; Chad; Côte d'Ivoire; Ethiopia; The Gambia; Ghana; Guinea; Guinea-Bissau; Madagascar; Malawi; Mali; Mauritania; Mozambique; Niger; Rwanda; Sao Tomé and Príncipe; Senegal; Sierra Leone; Tanzania; Uganda; and Zambia.

The HIV/AIDS pandemic poses another enormous growth challenge.

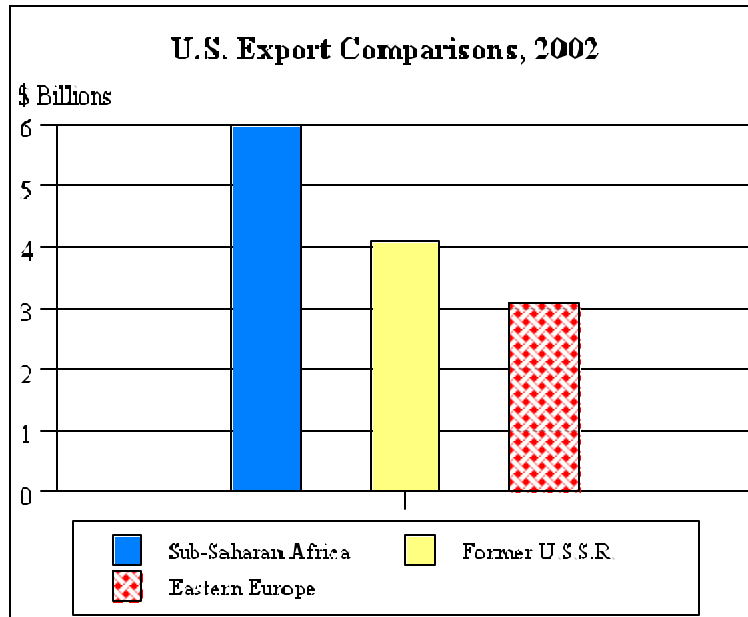
- More than **70%** of the world's HIV positive population live in Sub-Saharan Africa.
- The U.N. estimates that the region hosts nearly **30 million** people carrying the HIV virus. In several Southern African countries more than **30%** of the adult population are HIV positive.
- HIV/AIDS has lowered average life expectancy in Sub-Saharan Africa by **15 years**, from 62 to 47. This has a huge impact on human capital, labor turnover, productivity, and costs.
- Some studies estimate that in half the countries of Sub-Saharan Africa, per capita GDP growth is falling by **0.7%-1.6%** as a direct result of AIDS. Over the next decade per capita GDP in the worst affected countries may fall by **8%**.

### **U.S. Merchandise Exports in 2002**

U.S. merchandise exports to Sub-Saharan Africa were just over **\$6 billion** in 2002, a **13.2%** decline from the 2001 total. The decrease was led by a **57%** dive in sales of passenger aircraft, and markets also narrowed for motor vehicle parts, computers, and telecommunications equipment. Sales were down **13%** in South Africa, **53%** in Kenya, and **77%** in Namibia. South Africa and Kenya had purchased U.S. aircraft in 2001, and Namibia had been a sizable market for motor vehicle parts.

- The decline in shipments to Sub-Saharan Africa was steeper than the **5%** fall in U.S. exports worldwide, as well as the **3.6%** decline in exports to developing countries.
- The trend downward reverses the pattern of 2001, when U.S. exports to Sub-Saharan Africa expanded **17%** on the strength of aircraft and oil and gas field equipment sales, while they contracted **6.6%** worldwide. U.S. trade with the Sub-Saharan region usually lags the trend with the rest of the world by up to a year.
- Although exports strengthened in the fourth quarter of 2002 due to higher oil field equipment sales to Angola and an aircraft delivery to Kenya, these items are notoriously volatile and do not indicate that a general recovery is underway.

Despite the 2002 decline, U.S. exports to Sub-Saharan Africa were **46%** greater than those to the former Soviet republics, and nearly *twice* those to Eastern Europe. U.S. exports to South Africa alone were larger than our sales to Russia, whose population is more than **3.5** times as large.



**Export Concentration.** U.S. exports to Sub-Saharan Africa remain highly concentrated among a small number of countries. The top four markets--South Africa, Nigeria, Angola, and Kenya--accounted for **70%** of U.S. sales in 2002, with South Africa claiming **42%**, Nigeria **18%**, Angola **6.2%**, and Kenya **4.5%**.

*Leading U.S. Export Markets in Sub-Saharan Africa*

| <u>Country</u>           | <u>2002 Export Value</u><br><u>(\$ Millions)</u> |
|--------------------------|--|
| <i>South Africa</i>      | <i>2,525.2</i>                                   |
| <i>Nigeria</i>           | <i>1,057.0</i>                                   |
| <i>Angola</i>            | <i>372.5</i>                                     |
| <i>Kenya</i>             | <i>271.4</i>                                     |
| <i>Ghana</i>             | <i>192.6</i>                                     |
| <i>Cameroon</i>          | <i>155.8</i>                                     |
| <i>Chad</i>              | <i>127.3</i>                                     |
| <i>Equatorial Guinea</i> | <i>108.7</i>                                     |
| <i>Mozambique</i>        | <i>98.0</i>                                      |
| <i>Cote d'Ivoire</i>     | <i>76.2</i>                                      |



EU exports to Africa are also highly concentrated among a small number of countries, although less so than those of the United States. Based on partial-year data for 2002, six countries--South Africa, Nigeria, Liberia, Cote d'Ivoire, Angola, and Senegal--accounted for just over **64%** of EU exports to Sub-Saharan Africa.

U.S. *manufactured exports* were **\$4.8 billion**, or **80%** of sales, *non-manufactures* **\$1.2 billion**, or **20%**. This represents a significant shift in favor of non-manufactures from 2001, when manufactured exports were **87%** of the total and non-manufactures **13%**. Non-manufactures include agricultural and non-agricultural commodities, fats and oils, crude materials, and mineral fuels.

- Manufactured exports were concentrated among a small number of countries in 2002. South Africa, Nigeria, Angola, and Kenya accounted for **73%** of U.S. shipments. The same four countries accounted for **70%** of manufactured exports in 2001.
- Non-manufactured exports were also highly concentrated. Nigeria, South Africa, Mozambique, Ghana, and Angola were *two-thirds* of sales, up slightly from **62%** in 2001.

*Agricultural exports* accounted for **\$929.7 billion**, or **15%** of total shipments, *non-agricultural* items for **\$5.1 billion**, or **85%**. In 2001, agricultural exports were **9%** of total shipments, non-agricultural items **91%**. The 2002 shift represents a surge in food exports to drought-afflicted countries in Southern and East Africa. Agricultural commodity exports spiked more than *forty-fold* in Zimbabwe, *twenty-four fold* in Djibouti and Zambia. They *quadrupled* in Mozambique, and more than *doubled* in Kenya.

- Nigeria (**\$300.5 million**), South Africa (**\$149.4 million**), and Mozambique (**\$66.2 million**) were the top three markets for U.S. agricultural products in 2002, accounting for **56%** of total farm sales. Wheat sales grew **17.4%** in Nigeria, following **44%** growth in 2001. Exports of corn to South Africa were nearly **\$44 million**, up from **\$2.8 million** in 2001.
- For non-agricultural items, South Africa (**\$2.4 billion**), Nigeria (**\$756.5 million**), Angola (**\$326 million**), and Kenya (**\$228.2 million**), accounted for over **72%** of U.S. sales. Aircraft and passenger motor vehicles dominated shipments to South Africa, while oil and gas field equipment was dominant in Nigeria and Angola. Kenya also purchased an aircraft and parts. Non-agricultural exports include manufactures, semi-manufactures, and non-farm raw materials.

**Leading U.S. Exports.** U.S. exports contribute significantly to building and modernizing infrastructure in Sub-Saharan Africa. The principal U.S. exports included the following product categories: *aircraft and parts; oil and gas field equipment; oilseeds and grains; industrial chemicals; motor vehicles and parts; construction and agricultural machinery; computers and peripherals; and telecommunications equipment.*

| <i>Leading U.S. Exports to Sub-Saharan Africa</i> |  |
|---|--|
| <u>Item</u>                                       | <u>2002 Export Value<br/>(\$ Millions)</u> |
| <i>Aircraft and parts</i>                         | <i>636.3</i>                               |
| <i>Oil and gas field equipment</i>                | <i>630.4</i>                               |
| <i>Oilseeds and grains</i>                        | <i>537.8</i>                               |
| <i>Industrial chemicals</i>                       | <i>252.4</i>                               |
| <i>Motor vehicles and parts</i>                   | <i>233.1</i>                               |
| <i>Construction machinery and parts</i>           | <i>177.0</i>                               |
| <i>Computers and peripherals</i>                  | <i>157.3</i>                               |
| <i>Telecommunications equipment</i>               | <i>139.2</i>                               |
| <i>Agricultural machinery</i>                     | <i>89.8</i>                                |
| <i>Used clothing and textiles</i>                 | <i>59.8</i>                                |

### **U.S. Merchandise Imports in 2002**

U.S. imports from Sub-Saharan Africa declined **15.7%** in 2002, to **\$17.9 billion**, as recession in the United States caused lower demand for crude oil and platinum group metals. Imports from Nigeria were down nearly **a third**, and from South Africa by more than **9%**. Relatively small increases from Angola and Equatorial Guinea could not offset the overall import decline.

Crude oil dominates U.S. imports from the region such that oil price fluctuations overwhelm all other factors in the import account. Crude oil accounted for **\$11 billion**, or **61%** of U.S. purchases. In 2001, crude oil imports were **\$13.7 billion**, **64%** of imports.

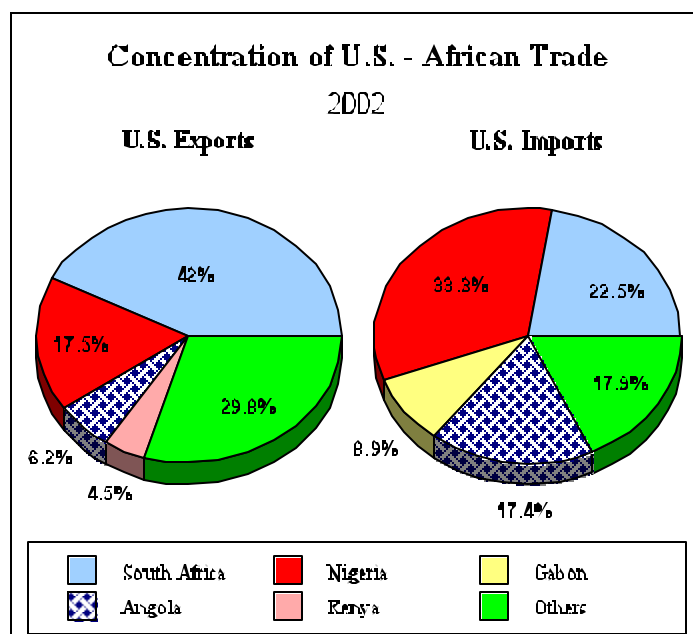
- U.S. crude oil imports from Sub-Saharan Africa fell **20%** in value terms, and nearly **18%** in barrel volume from 2001 levels.
- Sub-Saharan Africa supplied **13.8%** of U.S. crude oil imports by value in 2002, down from **18%** in 2001. In comparison, Persian Gulf suppliers provided **23%** of U.S. imports, down from **27%** a year earlier. Mexico, Canada, the United Kingdom, and Norway each increased their U.S. market shares.
- Nigeria, the number five U.S. supplier, provided **\$5.6 billion** of crude oil to the United States, **7%** of total imports. Angola was the ninth leading supplier, at **\$3 billion**. Gabon (**\$1.6 billion**), Equatorial Guinea (**\$463 million**), and Congo-Brazzaville (**\$125 million**), were also substantial suppliers.

Apparel surpassed unwrought platinum as the second leading U.S. import, and accounted for only **6%** of purchases. Fuel oils contributed **4%**, and diamonds **3.3%**.

| <i>Leading U.S. Imports from Sub-Saharan Africa</i> |  |
|---|--|
| <u>Item</u>   | <u>2002 Import Value<br/>(\$ Millions)</u> |
| <i>Crude oil</i>                                    | <i>10,972.1</i>                            |
| <i>Woven or knit apparel</i>                        | <i>1,097.5</i>                             |
| <i>Unwrought platinum</i>                           | <i>1,173.2</i>                             |
| <i>Diamonds</i>                                     | <i>590.6</i>                               |
| <i>Cocoa</i>  | <i>322.9</i>                               |
| <i>Motor vehicles</i>                               | <i>266.9</i>                               |

**Import Concentration.** U.S. imports from Africa remained highly concentrated among a small number of suppliers, even more so than U.S. exports. Four countries--Nigeria, South Africa, Angola, and Gabon--accounted for **82%** of U.S. purchases. Three were major crude oil suppliers, while South Africa supplied platinum, diamonds, and motor vehicles.

| <i>Principal Sub-Saharan African Suppliers to the United States</i> |  |
|---|--|
| <u>Country</u>  | <u>2002 Import Value<br/>(\$ Millions)</u> |
| <i>Nigeria</i>  | <i>5,964.2</i>                             |
| <i>South Africa</i>   | <i>4,027.1</i>                             |
| <i>Angola</i>   | <i>3,114.5</i>                             |
| <i>Gabon</i>  | <i>1,592.0</i>                             |



EU imports from Sub-Saharan Africa were also highly concentrated, although more diversified than those of the United States. The six leading suppliers--South Africa, Nigeria, Cote d'Ivoire, Cameroon, Angola, and Botswana--accounted for more than **68%** of EU imports from the region. By product group, crude oil constituted over **18%** of the total, diamonds **15%**, and gold **5%**.

**Generalized System of Preferences.** Duty-free importation of goods from Sub-Saharan Africa under the *U.S. Generalized System of Preferences (GSP)* increased **9%** in 2002, to nearly **\$3.9 billion**. The increase was due to a **tripling** of GSP utilization by Equatorial Guinea, and smaller increases in Nigeria, Angola, and South Africa. The 2002 increase follows a **45%** surge in Sub-Saharan Africa's GSP utilization in 2001, when a large gain by Angola offset declines by South Africa, Congo-Kinshasa, and Zimbabwe.

- Angola was the leading GSP beneficiary in the world for the second consecutive year, with **\$2.7 billion** in benefits, although Angola's utilization increased only **3.5%** from 2001. Angola benefits from a provision which makes petroleum products exported from least developed beneficiary countries GSP-eligible. This provision also boosted Equatorial Guinea to the number 13 GSP beneficiary.
- South Africa was the world's eighth leading GSP beneficiary with **\$552.9 million** of benefits, a **9.2%** increase from 2001.

- Angola and Equatorial Guinea were major GSP beneficiaries despite their loss of benefits when GSP authority lapsed on September 30, 2001 for all beneficiaries except those included in the *African Growth and Opportunity Act (AGOA)*. The authority was renewed retroactively on August 6, 2002, allowing U.S. importers to receive rebates of duties paid on eligible products.
- AGOA authorized continuation of GSP for AGOA beneficiary countries without interruption until September 30, 2008. Therefore, AGOA countries were not affected by the lapse in GSP authority.
- Angola, South Africa, and Equatorial Guinea accounted for **94%** of total GSP utilization in Sub-Saharan Africa.
- Petroleum accounted for **81%** of GSP imports. Other leading items include: aluminum alloy plates from South Africa; jewelry, and cane sugar, both principally from countries in Southern Africa; and ferro-silicon manganese from South Africa.

*Leading Sub-Saharan African GSP Beneficiary Countries*

| <u>Country</u>  | <u>2002 GSP Benefits</u><br><u>(\$ Millions)</u> |
|---|--|
| <i>Angola*</i>  | <i>2,728.4</i>                                   |
| <i>South Africa</i>   | <i>552.9</i>                                     |
| <i>Equatorial Guinea*</i>   | <i>358.0</i>                                     |
| <i>Congo-Kinshasa*</i>  | <i>111.5</i>                                     |
| <i>Zimbabwe*</i>  | <i>54.9</i>                                      |
| <i>Cote d'Ivoire</i>  | <i>22.5</i>                                      |
| <i>Ghana</i>  | <i>11.8</i>                                      |
| <i>*GSP benefits lapsed September 30, 2001 for non-AGOA beneficiaries, reinstated retroactively August 6, 2002.</i> |  |

**Trade with AGOA Countries**

The United States imported **\$9 billion** of merchandise duty-free under AGOA provisions in 2002, a **10%** increase from 2001 despite the general decline in imports from the Sub-Saharan region. *Note: This figure reflects only imports under preferential tariff programs, including GSP, additional GSP benefits granted under AGOA, and AGOA's textile and apparel provisions. It excludes imports whose Normal Tariff Rate (NTR) is zero.* **\$6.8 billion** of AGOA imports were petroleum products, principally from Nigeria and Gabon. Textiles and apparel accounted for **\$803.3 million**, more than twice the level of 2001. Transportation equipment, mostly passenger motor cars from South Africa, grew **81%** to **\$544.7 million**, and agricultural products grew **38%** to **\$212.4 million**.

AGOA utilization is dominated by a small number of eligible countries. Nigeria received **\$5.4 billion** of benefits, South Africa **\$1.3 billion**, Gabon **\$1.1 billion**, Lesotho **\$318 million**, and Kenya **\$129.2 million**. These four countries accounted for nearly **93%** of AGOA duty-free benefits.

AGOA imports accounted for **half** of total merchandise imports from Sub-Saharan Africa in 2002. In 2001, AGOA imports were **41.3%** of overall imports. Total imports from the 36 AGOA-eligible countries, including all items, were **\$14.1 billion**, a **20%** decline from 2001 due to lower crude oil purchases.

AGOA also contributed indirectly to a surge in U.S. exports of motor vehicles to South Africa, although automotive shipments declined from 2001. Between 2000 and 2002, U.S. motor vehicle exports to South Africa increased more than **88%**, to **\$160 million**. The increase was due largely to

the efforts of auto manufacturers to base more production for the United States in the AGOA region for duty-free entry to the U.S. market. This gives the South African manufacturers increased rights to import U.S.-manufactured autos under the South African Motor Industry Development Program.

### **U.S. Direct Investment in Africa**

Sub-Saharan Africa continues to trail other regions in attracting foreign direct investment (FDI), despite a doubling of flows to the region in 2001. Inflows of FDI to Sub-Saharan Africa from all sources were recorded at **\$12.4 billion**, compared to **\$6.2 billion** in 2000. However, the increase does not reflect an actual increase in new investment, but rather a stock swap involving two conglomerates with major holdings in South Africa. As a result of the accounting change, South Africa registered inward flows of **\$6.7 billion**, or half the total for Sub-Saharan Africa. The exceptional transaction caused the Sub-Saharan region to claim approximately **1.7%** of worldwide FDI inflows in 2001, and **6%** of inflows to developing countries, according to the United Nations *World Investment Report of 2002*. Both percentages were substantially above 2000 levels, but they reflect the fact that global FDI flows fell by **half** and flows to developing countries declined **14%** in 2001.

- If the unusual stock transaction is excluded, FDI flows to Sub-Saharan Africa were little changed from their historic low levels, despite increased investment activity in a number of African countries due to AGOA trade preferences.
- Angola and Nigeria were the number two and three recipients of FDI inflows after South Africa, each with **\$1.1 billion**.
- The United States was the leading provider of FDI to Africa in the period 1996-2000, with **\$9.2 billion** of cumulative flows. France was second with **\$4.4 billion**, and the United Kingdom was third with **\$3.3 billion**.

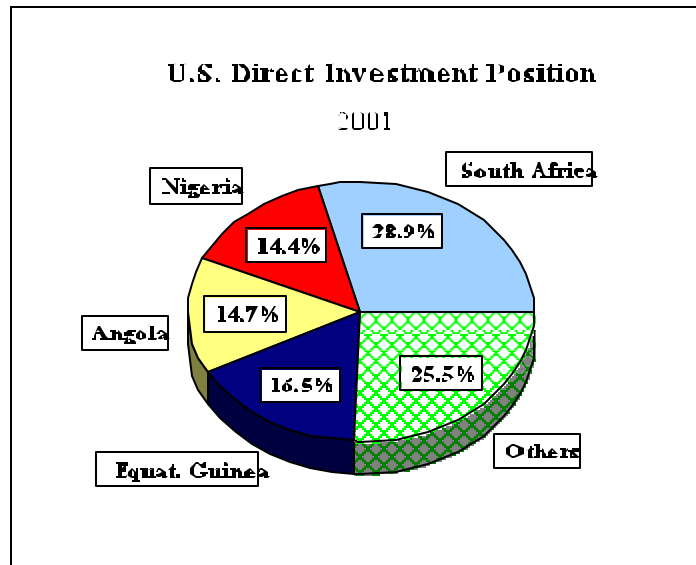
At year-end 2001, the U.S. direct investment position<sup>2</sup> in Sub-Saharan Africa was **\$10.2 billion**, **5.8%** above the position at year-end 2000, as a surge of petroleum investments in Equatorial Guinea and a smaller increase in Nigeria offset declines in South Africa and Angola. (The direct investment position is a measure of the *stock* of FDI, as opposed to *flows*.)

- South Africa (**\$3 billion**), Equatorial Guinea (**\$1.7 billion**), Angola and Nigeria (**each \$1.5 billion**), combined to account for nearly **three-quarters** of the U.S. direct investment position in Sub-Saharan Africa.

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<sup>2</sup> The U.S. direct investment position is the net book value (i.e., the historical value) of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent.

- The U.S. position in South Africa is largely in manufacturing. In the other three leading countries it is heavily concentrated in the petroleum sector. Overall, approximately *two-thirds* of the position in Sub-Saharan Africa is in petroleum.
- Sub-Saharan Africa accounts for less than *1%* of the U.S. direct investment position worldwide.



Source: U.S. Dept. of Commerce

The direct investment position generated income of **\$1.3 billion** for U.S. parent companies, including investment earnings and net interest on outstanding loans to their African affiliates. Income was down from **\$2 billion** in 2000.

According to preliminary results from the 1999 benchmark survey of U.S. direct investment abroad by the Department of Commerce Bureau of Economic Analysis, U.S. affiliated companies in Africa reported estimated total assets of nearly **\$42.6 billion**, including **\$14.9 billion** in South Africa and **\$7.4 billion** in Nigeria. U.S. affiliates in Africa had worldwide sales of nearly **\$27.2 billion**, and net income of **\$2.3 billion**.

U.S. direct investment in Africa supports U.S. trade with the region and fuels American industry. **\$926 million** of U.S. merchandise exports in 1999 were shipped to U.S. affiliates in Africa, including those in North Africa. The United States imported nearly **\$1.8 billion** of goods from U.S. affiliates in Africa, mostly petroleum products.